

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name	County
Audit Date	Opinion Date	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)			
Street Address		City	State
			ZIP Code
Accountant Signature		Date	
Abraham & Gellray, P.C. Aaron M. Stearns			

**Village of Fowlerville  
Livingston County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2004**

Village of Fowlerville  
Livingston County, Michigan

June 30, 2004

VILLAGE COUNCIL AND ADMINISTRATION

Mr. Wayne Copeland	President
Mr. Mike Stock	President Pro-tem
Ms. Marjorie Carlon	Council Member
Ms. Rose Pushies	Council Member
Ms. Mary Helfmann	Council Member
Mr. Larry Clark	Council Member
Mr. Douglas Helzerman	Council Member
Mr. David Boehm	Village Manager
Ms. Melissa Keniston	Clerk/Treasurer

Village of Fowlerville

TABLE OF CONTENTS

June 30, 2004

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-xi
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9-10
Statement of Fiduciary Net Assets - Fiduciary Fund	11
Combining Statement of Net Assets - Component Units	12
Combining Statement of Activities - Component Units	13
Notes to Financial Statements	14-29
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	30-31
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	32-33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	34-35
COMPONENT UNIT FUNDS	
DOWNTOWN DEVELOPMENT AUTHORITY	
Balance Sheet	36
Reconciliation of the Balance Sheet to the Statement of Net Assets	37
Statement of Revenues, Expenditures, and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
LOCAL DEVELOPMENT FINANCE AUTHORITY	
Balance Sheet	40
Reconciliation of the Balance Sheet to the Statement of Net Assets	41
Statement of Revenues, Expenditures, and Changes in Fund Balances	42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	43

### Principals

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ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the Village Council  
Village of Fowlerville  
Fowlerville, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Village of Fowlerville for the year ended June 30, 2003, were audited by other auditors whose report dated January 15, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, the discretely presented component units, and the aggregate remaining fund information of the Village of Fowlerville, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Village has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of July 1, 2003, along with all related statements and interpretations.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Fowlerville's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 29, 2004

## **BASIC FINANCIAL STATEMENTS**

Village of Fowlerville

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,239,590	\$ 1,027,877	\$ 2,267,467	\$ 370,084
Investments	-	643,281	643,281	-
Receivables	22,888	188,877	211,765	41,167
Due from other governmental units	176,967	-	176,967	-
Inventory	-	9,926	9,926	-
Interfund balances	(167,070)	71,254	(95,816)	95,816
Total current assets	1,272,375	1,941,215	3,213,590	507,067
Noncurrent assets				
Cash and cash equivalents - restricted	-	22,131	22,131	-
Construction in progress	279,115	77,315	356,430	-
Capital assets, net	2,542,137	5,149,911	7,692,048	-
Total noncurrent assets	2,821,252	5,249,357	8,070,609	-0-
TOTAL ASSETS	4,093,627	7,190,572	11,284,199	507,067
LIABILITIES				
Accounts payable	166,393	3,474	169,867	3,004
Accrued wages	21,533	4,640	26,173	-
Other accrued liabilities	64,350	-	64,350	-
Due to fiduciary fund	8,604	-	8,604	-
Accrued interest payable	3,464	4,615	8,079	17,779
Current portion of compensated absences	21,619	-	21,619	-
Current portion of long-term debt	72,605	52,043	124,648	175,000
Total current liabilities	358,568	64,772	423,340	195,783
Noncurrent liabilities				
Compensated absences	65,504	5,460	70,964	-
Noncurrent portion of long-term debt	320,185	267,797	587,982	2,250,000
Total noncurrent liabilities	385,689	273,257	658,946	2,250,000
TOTAL LIABILITIES	744,257	338,029	1,082,286	2,445,783
NET ASSETS				
Invested in capital assets, net of related debt	2,428,462	4,907,386	7,335,848	-
Restricted for streets	193,077	-	193,077	-
Restricted for debt service	35,324	-	35,324	-
Unrestricted	692,507	1,945,157	2,637,664	(1,938,716)
TOTAL NET ASSETS	\$ 3,349,370	\$ 6,852,543	\$ 10,201,913	\$ (1,938,716)

See accompanying notes to financial statements.



Village of Fowlerville  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 528,638	\$ 184,455	\$ 8,930	\$ -	\$ (335,253)	\$ -	\$ (335,253)	\$ -
Public safety	994,298	168,528	119,111	-	(706,659)	-	(706,659)	-
Public works	377,272	12,978	202,041	241,546	79,293	-	79,293	-
Recreation and cultural	51,325	6,800	-	-	(44,525)	-	(44,525)	-
Community and economic development	28,773	-	-	-	(28,773)	-	(28,773)	-
Other	153,733	-	-	-	(153,733)	-	(153,733)	-
Interest on long-term debt	23,784	-	-	-	(23,784)	-	(23,784)	-
Total governmental activities	2,157,823	372,761	330,082	241,546	(1,213,434)	-0-	(1,213,434)	-0-
Business-type activities:								
Sewer	387,832	362,715	-	-	-	(25,117)	(25,117)	-
Water	389,016	369,729	-	-	-	(19,287)	(19,287)	-
Total business-type activities	776,848	732,444	-0-	-0-	-0-	(44,404)	(44,404)	-0-
Total primary government	\$ 2,934,671	\$ 1,105,205	\$ 330,082	\$ 241,546	(1,213,434)	(44,404)	(1,257,838)	-0-
Component units:								
Downtown Development Authority	\$ 529,783	\$ -	\$ -	\$ -	-	-	-0-	(529,783)
Local Development Finance Authority	315,860	-	-	-	-	-	-0-	(315,860)
Total component units	\$ 845,643	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	-0-	(845,643)
General revenues:								
Property taxes					1,006,040	-	1,006,040	759,994
State shared revenue					312,017	-	312,017	-
Investment earnings					5,757	12,924	18,681	6,289
Miscellaneous					30,125	-	30,125	-
Special item								
Gain on sale of capital assets					141,954	-	141,954	-
Total general revenues and special item					1,495,893	12,924	1,508,817	766,283
Change in net assets					282,459	(31,480)	250,979	(79,360)
Net assets, beginning of the year					3,066,911	6,875,510	9,942,421	(1,859,356)
Prior period adjustment					-	8,513	8,513	-
Net assets, end of the year					\$ 3,349,370	\$ 6,852,543	\$ 10,201,913	\$ (1,938,716)

See accompanying notes to financial statements.

Village of Fowlerville

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 768,096	\$ 298,103	\$ 1,066,199
Accounts receivable	20,245	-	20,245
Special assessment receivable	-	1,830	1,830
Due from other governmental units			
Federal/State	98,808	34,308	133,116
Local	43,851	-	43,851
Due from other funds	1,368	131,817	133,185
<b>TOTAL ASSETS</b>	<b>\$ 932,368</b>	<b>\$ 466,058</b>	<b>\$ 1,398,426</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Account payable	\$ 155,451	\$ 5,132	\$ 160,583
Accrued wages	20,799	477	21,276
Other accrued liabilities	64,350	-	64,350
Due to other funds	191,659	12,780	204,439
Due to fiduciary fund	8,604	-	8,604
Due to component unit	95,816	-	95,816
Deferred revenue	-	1,830	1,830
<b>TOTAL LIABILITIES</b>	<b>536,679</b>	<b>20,219</b>	<b>556,898</b>
Reserved for:			
Cemetery maintenance	-	13,498	13,498
Debt services	-	38,788	38,788
Capital projects	-	27,850	27,850
Unreserved			
Undesignated, reported in:			
General fund	395,689	-	395,689
Special revenue funds	-	365,703	365,703
<b>TOTAL FUND BALANCES</b>	<b>395,689</b>	<b>445,839</b>	<b>841,528</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 932,368</b>	<b>\$ 466,058</b>	<b>\$ 1,398,426</b>

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2004

**Total fund balance - governmental funds** \$ 841,528

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 5,117,232	
Construction in progress	279,115	
Accumulated depreciation is	<u>(2,575,095)</u>	
Capital assets, net		2,821,252

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,830
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Internal Service Funds are used by management to charge the costs  
of certain activities to individual funds. The assets and liabilities  
of the Internal Service Funds are included in the governmental activities  
in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds	290,490	
Net capital assets of Internal Service Funds included in total capital assets above	(200,788)	
Long-term liabilities of Internal Service Fund included in total long-term liabilities below	<u>78,435</u>	
		168,137

Long-term liabilities are not due and payable in the current period and  
therefore are not reported in the Governmental Funds Balance Sheet.  
Long-term liabilities at year-end consist of:

Bonds, notes and leases payable	392,790	
Accrued interest payable	3,464	
Compensated absences	<u>87,123</u>	
		<u>(483,377)</u>

<b>Net assets of governmental activities</b>		<b>\$ 3,349,370</b>
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See accompanying notes to financial statements.

Village of Fowlerville

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended June 30, 2004

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 814,182	\$ 191,858	\$ 1,006,040
Licenses and permits	13,705	-	13,705
Intergovernmental	634,964	202,041	837,005
Charges for services	289,508	10,766	300,274
Fines and forfeits	1,919	1,708	3,627
Interest and rents	8,911	3,486	12,397
Other	96,120	2,600	98,720
TOTAL REVENUES	1,859,309	412,459	2,271,768
EXPENDITURES			
General government	432,221	8,710	440,931
Public safety	676,304	2,577	678,881
Public works	157,773	122,324	280,097
Recreation and cultural	37,739	-	37,739
Community and economic development	28,773	-	28,773
Capital outlay	229,758	186,780	416,538
Debt service	91,072	75,893	166,965
Other	153,733	-	153,733
TOTAL EXPENDITURES	1,807,373	396,284	2,203,657
EXCESS OF REVENUES OVER EXPENDITURES	51,936	16,175	68,111
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	141,954	-	141,954
Sale of cemetery lots	21,750	-	21,750
Perpetual care	7,410	-	7,410
Operating transfers in	-	212,735	212,735
Operating transfers out	-	(212,735)	(212,735)
TOTAL OTHER FINANCING SOURCES (USES)	171,114	-0-	171,114
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	223,050	16,175	239,225
Fund balances, beginning of year	172,639	429,664	602,303
Fund balances, end of year	\$ 395,689	\$ 445,839	\$ 841,528

See accompanying notes to financial statements.

Village of Fowlerville

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

**Net change in fund balances - total governmental funds** \$ 239,225

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense	\$ (526,740)	
Capital outlay	<u>383,779</u>	
Excess of depreciation expense over capital outlay		(142,961)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(2,600)
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in Net Assets of Internal Service Funds	18,859	
Depreciation expense of Internal Service Funds included in the total above	45,677	
Loan principal retirement of Internal Service Funds included in the total below	<u>(19,686)</u>	
		44,850

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirement		161,186
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	1,681	
(Increase) in accrued compensated absences	<u>(18,922)</u>	
		<u>(17,241)</u>

<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u>282,459</u></b>
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See accompanying notes to financial statements.

Village of Fowlerville

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 196,883	\$ 830,994	\$ 1,027,877	\$ 173,391
Investments	643,281	-	643,281	-
Receivables				
Accounts	54,379	54,645	109,024	813
Special assessment	78,889	-	78,889	-
Accrued interest	964	-	964	-
Inventory	-	9,926	9,926	-
Due from other funds	91,124	49,854	140,978	-
Total current assets	1,065,520	945,419	2,010,939	174,204
Noncurrent assets				
Cash and cash equivalents, restricted	22,131	-	22,131	-
Construction in progress	27,146	50,169	77,315	-
Capital assets, net	3,395,317	1,754,594	5,149,911	200,788
Total noncurrent assets	3,444,594	1,804,763	5,249,357	200,788
<b>TOTAL ASSETS</b>	4,510,114	2,750,182	7,260,296	374,992
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	1,055	2,419	3,474	5,810
Accrued liabilities	2,284	2,356	4,640	257
Accrued interest payable	4,157	458	4,615	-
Due to other funds	-	69,724	69,724	-
Current portion of long-term debt	36,400	15,643	52,043	20,105
Total current liabilities	43,896	90,600	134,496	26,172
Noncurrent liabilities				
Compensated absences	2,730	2,730	5,460	645
Noncurrent portion of long-term debt	215,000	52,797	267,797	57,685
Total noncurrent liabilities	217,730	55,527	273,257	58,330
<b>TOTAL LIABILITIES</b>	261,626	146,127	407,753	84,502
<b>NET ASSETS</b>				
Investment of capital assets, net of related debt	3,171,063	1,736,323	4,907,386	122,998
Unrestricted	1,077,425	867,732	1,945,157	167,492
<b>TOTAL NET ASSETS</b>	<u>\$ 4,248,488</u>	<u>\$ 2,604,055</u>	<u>\$ 6,852,543</u>	<u>\$ 290,490</u>

See accompanying notes to financial statements.

Village of Fowlerville

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS

Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
OPERATING REVENUES				
Charges for services	\$ 362,715	\$ 369,729	\$ 732,444	\$ 146,344
OPERATING EXPENSES				
Administrative	128,194	58,064	186,258	92,931
Wastewater operations	146,269	-	146,269	-
Water distribution	-	254,992	254,992	-
Depreciation	98,161	70,780	168,941	45,677
TOTAL OPERATING EXPENSES	372,624	383,836	756,460	138,608
OPERATING INCOME (LOSS)	(9,909)	(14,107)	(24,016)	7,736
NONOPERATING REVENUES (EXPENSES)				
Gain on sale of equipment	-	-	-	14,500
Interest revenue	7,378	5,546	12,924	919
Interest expense and fiscal agent fees	(15,208)	(5,180)	(20,388)	(4,296)
TOTAL NONOPERATING REVENUES (EXPENSES)	(7,830)	366	(7,464)	11,123
CHANGE IN NET ASSETS	(17,739)	(13,741)	(31,480)	18,859
Net assets, beginning of year	4,266,227	2,609,283	6,875,510	271,631
Prior period adjustment	-	8,513	8,513	-
Net assets, end of year	<u>\$ 4,248,488</u>	<u>\$ 2,604,055</u>	<u>\$ 6,852,543</u>	<u>\$ 290,490</u>

See accompanying notes to financial statements.

Village of Fowlerville

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
				Internal Service (Motor Pool)
	Sewer	Water	Total	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 311,234	\$ 326,078	\$ 637,312	\$ 146,722
Cash paid to suppliers	(204,394)	(165,509)	(369,903)	(59,683)
Cash paid for employee benefits	(20,734)	(38,563)	(59,297)	(8,968)
Cash paid to employees	(55,271)	(68,263)	(123,534)	(21,525)
NET CASH PROVIDED BY OPERATING ACTIVITIES	30,835	53,743	84,578	56,546
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital purchases	(42,666)	(65,689)	(108,355)	(12,460)
Proceeds from sale of equipment	-	-	-0-	14,500
Principal payments	(66,471)	(14,887)	(81,358)	(19,686)
Interest expense and fees	(15,208)	(5,180)	(20,388)	(4,296)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(124,345)	(85,756)	(210,101)	(21,942)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(643,281)	-	(643,281)	-
Interest revenue	7,378	5,546	12,924	919
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(635,903)	5,546	(630,357)	919
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(729,413)	(26,467)	(755,880)	35,523
Cash and cash equivalents, beginning of year	948,427	857,461	1,805,888	137,868
Cash and cash equivalents, end of year	<u>\$ 219,014</u>	<u>\$ 830,994</u>	<u>\$ 1,050,008</u>	<u>\$ 173,391</u>



Village of Fowlerville

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED

Year Ended June 30, 2004

	Business-type Activities			Governmental Activities
	Sewer	Water	Total	Internal Service (Motor Pool)
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (9,909)	\$ (14,107)	\$ (24,016)	\$ 7,736
Adjustments to reconcile operating (loss) to net cash provided by operating activities				
Depreciation	98,161	70,780	168,941	45,677
(Increase) decrease in accounts receivable	5,579	6,203	11,782	(813)
Decrease in special assessment receivable	18,406	-	18,406	-
(Increase) in accrued interest receivable	(235)	-	(235)	-
(Increase) decrease in due from others	(75,231)	(49,854)	(125,085)	1,191
Increase (decrease) in accounts payable	(8,848)	(21,384)	(30,232)	3,172
Increase in accrued liabilities	1,746	1,698	3,444	51
Increase in accrued interest payable	474	14	488	-
Increase in due to other funds	-	59,491	59,491	-
Increase (decrease) in compensated absences	692	902	1,594	(468)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 30,835</u>	<u>\$ 53,743</u>	<u>\$ 84,578</u>	<u>\$ 56,546</u>

See accompanying notes to financial statements.

Village of Fowlerville

Fiduciary Fund

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 292,776
Due from other funds	<u>8,604</u>
TOTAL ASSETS	<u><u>\$ 301,380</u></u>
LIABILITIES	
Due to joint venture	<u><u>\$ 301,380</u></u>

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 173,160	\$ 196,924	\$ 370,084
Receivables	41,167	-	41,167
Due from primary government	95,816	-	95,816
TOTAL ASSETS	310,143	196,924	507,067
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	3,004	-	3,004
Accrued interest payable	6,920	10,859	17,779
Current portion of long-term debt	50,000	125,000	175,000
Total current liabilities	59,924	135,859	195,783
Noncurrent liabilities			
Noncurrent portion of long-term debt	855,000	1,395,000	2,250,000
Total noncurrent liabilities	855,000	1,395,000	2,250,000
TOTAL LIABILITIES	914,924	1,530,859	2,445,783
<b>NET ASSETS</b>			
Unrestricted net assets	\$ (604,781)	\$ (1,333,935)	\$ (1,938,716)

See accompanying notes to financial statements.

Village of Fowlerville

Component Units

COMBINING STATEMENT OF ACTIVITIES

Year Ended June 30, 2004

	Downtown Development Authority	Local Development Finance Authority	Total Component Units
Program Expenses			
Community and economic development	\$ 529,783	\$ 315,860	\$ 845,643
Program Revenues	-	-	-0-
NET PROGRAM EXPENSES	(529,783)	(315,860)	(845,643)
General Revenues			
Property taxes	207,953	552,041	759,994
Interest	4,287	2,002	6,289
TOTAL GENERAL REVENUES	212,240	554,043	766,283
CHANGE IN NET ASSETS	(317,543)	238,183	(79,360)
Net assets, beginning of the year	(287,238)	(1,572,118)	(1,859,356)
Net assets, end of the year	<u>\$ (604,781)</u>	<u>\$ (1,333,935)</u>	<u>\$ (1,938,716)</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Located in Livingston County, Michigan, Fowlerville is incorporated as a general law village in which citizens elect the council members and officers. The Village is not included in any other governmental "reporting entity", as defined by the Government Accounting Standards Board (GASB), since council members are elected by the public and have decision making authority, the authority levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Village provides the following services, as authorized by its charter, to approximately 2,972 residents: public safety (police and fire), public improvements (streets, sidewalks, sewers, and water system), planning and zoning, recreation and general administrative services. The accounting policies of the Village conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity (as amended by GASB Statement 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the Village of Fowlerville (primary government) and its component units, entities for which the government is considered to be financially accountable. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government. All component units are included in the Village's audit and are not audited separately.

2. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, the Village of Fowlerville remains financially accountable for these entities or the nature and significance of the relationship between these entities and the Village of Fowlerville is such that exclusion of these entities would render the financial statements misleading or incomplete.

Downtown Development Authority (DDA) - The Authority is responsible for the management of property tax revenues captured in the DDA district within the Village boundaries. Members of the DDA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the DDA.

Local Development Finance Authority (LDFA) - The Authority is responsible for the management of property tax revenues captured in the LDFA district in the Village boundaries. Members of the LDFA board are appointed by the Village council and the council has the ability to exercise oversight responsibility, specifically in the area of designation of management. The Authority is legally separate from the Village and is fiscally independent of the Village. There are no separate financial statements issued for the LDFA.

3. Jointly Governed Organizations

Fowlerville Fire Department Equipment Replacement Fund - The Village operates a Fire Department for which the cost of operations is allocated to the Village and five (5) participating townships surrounding the Village based on the number of fire and rescue runs within each participants boundaries. In addition, these communities have joined together to pool resources for future acquisition of equipment to ensure continuity of fire services. Each member community contributes an annual amount for this purpose and an amount of retirement of fire equipment debt. Each community appoints one (1) person to the board that oversees the use of the fund. The Village maintains the financial records of the Fire Equipment Replacement Fund. For presentation in the financial statements, the funds held by the Village are presented as an asset and liability in the general agency fund. The Village's equity interest in the fund is unknown.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Village's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Village are:

- a. The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer Fund is used to account for the operations required to providing sewer services to the general public, the costs (expenses, including depreciation) is financed or recovered primarily through user charges.
- c. The Water Fund is used to account for the operations required to provide water services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The Village Manager is required to submit to the Village Council a proposed operating budget for the commencing fiscal year prior to its start each year. The operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on a basis consistent with the accounting basis utilized by the fund.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget was legally enacted through passage of a resolution.
- d. The Village Manager is authorized to transfer budget amounts of \$500 or less between departments within any fund with subsequent Council ratification. Any revisions altering the total expenditures of a particular fund must be approved by the Council. Annual appropriations lapse at fiscal year end.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Budgets and Budgetary Accounting - continued

- e. Budgets for the General and Special Revenue Funds are adopted on an activity basis and are consistent with accounting principles generally accepted in the United States of America.
- f. Budgeted amounts are reported as originally adopted or amended by the Village Council during the year.

8. Cash, Cash Equivalents, and Investments

Cash consists of various savings and money market checking accounts. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

9. Property Tax

The Village of Fowlerville bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Fowlerville on July 1 and December 1 and are payable without penalty through September 15 and February 14, respectively. The July 1 levy is composed of the Village's millage and special assessments. The December 1 levy is composed of county, fire authority, and schools taxes and special assessments. All real property taxes not paid to the Village by March 1 are turned over to the Livingston County Treasurer for collection. The Livingston County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection.

The Village is permitted to levy taxes up to 12.5 mills (\$12.50 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2004, the Village levied 8.5804 mills per \$1,000 of assessed valuation for general governmental services, .6863 for cemetery maintenance, 2.0591 for garbage service, 3.4320 for street lights and .4208 for mosquito control. The total Taxable Value for the 2003 levy for property within the Village was \$74,454,380.

10. Inventories

Inventories in the Enterprise Funds consist of Water Department supplies which are stated at the lower of cost or market on the first in - first out basis.

11. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.



NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

12. Compensated Absences

Village employees are granted sick/personal leave in varying amounts. In the event of termination, an employee is paid for portions of accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2004 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

Employees accrue vacation time throughout the year based on prior years service. Any unused vacation time at year end is paid out to employees.

13. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. Capital assets are those with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	10 - 40 years
Water system and improvements	7 - 50 years
Infrastructure	20 - 30 years

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

16. Accounting Change

As of July 1, 2003, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided. A reconciliation is presented between the fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$3,726,890, which were previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the Village's capital assets.
- Long-term obligations reported on the statement of net assets include compensated absences of \$67,556 and contract and lease payables of \$456,500, which were previously reported in the General Long-term Debt Account Group.
- The governmental fund financial statements focus on major funds rather than fund types.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Regular checking	\$ 86,845	\$ 384,468
Savings	159,681	159,670
Certificates of deposit	<u>646,927</u>	<u>646,927</u>
	<u>\$ 893,453</u>	<u>\$ 1,191,065</u>

The cash and cash equivalents reported in the basic financial statements include \$25 in imprest cash.

Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of June 30, 2004, the Village accounts were insured by the FDIC for \$400,000, and the amount of \$791,065 was uninsured and uncollateralized.

Pooled Investment Funds

As of June 30, 2004, the carrying amount and market values of the pooled investment funds were \$2,702,261 and \$2,694,740, respectively. These funds are not categorized at a risk level because they are not evidenced by securities that exist in physical or book form.

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based on criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2004.

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Fund</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,289,598	\$ 370,084	\$ 292,776	\$ 2,952,458
Investment	<u>643,281</u>	<u>-</u>	<u>-</u>	<u>643,281</u>
	<u>\$ 2,932,879</u>	<u>\$ 370,084</u>	<u>\$ 292,776</u>	<u>\$ 3,595,739</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables at June 30, 2004:

Due to General Fund from:	
Nonmajor governmental funds	\$ 1,368
Due to Nonmajor Governmental Funds from:	
General fund	120,405
Nonmajor governmental funds	<u>12,780</u>
	133,185
Due to Sewer Fund from:	
General fund	21,400
Water fund	<u>69,724</u>
	91,124
Due to Water Fund from:	
General fund	49,854
Due to Fiduciary Funds from:	
General fund	8,604
Due to Component Units Funds from:	
General fund	<u>95,816</u>
Total interfund receivables and payables	<u>\$ 379,951</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business-type funds, and component units have been eliminated.

Transfers to Nonmajor governmental funds from:	
Nonmajor governmental funds	<u>\$ 212,735</u>

**NOTE E: LONG-TERM CONTRACTS RECEIVABLE**

The Village has several loans to individuals and businesses made through the Downtown Development Authority. The amounts attributable to these long-term contracts receivable have been recorded in the Downtown Development Authority Special Revenue Fund as contracts receivable and deferred revenue. The following is a summary of future annual revenue from debtors that currently have signed promissory notes with the Village:

Year Ending June 30,	Principal	Interest	Total
2005	<u>\$ 41,167</u>	<u>\$ 510</u>	<u>\$ 41,677</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2004 was as follows:

**Primary Government**

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2004</u>
<b>Governmental activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 149,932	\$ -	\$ -	\$ 149,932
Construction in progress - Infrastructure	-	279,115	-	279,115
Subtotal	149,932	279,115	-0-	429,047
Capital Assets Being Depreciated				
Land improvements	242,549	-	-	242,549
Buildings	957,675	-	-	957,675
Vehicles	2,516,435	12,460	-	2,528,895
Equipment and furniture	1,145,977	83,275	-	1,229,252
Infrastructure	-	8,929	-	8,929
Subtotal	4,862,636	104,664	-0-	4,967,300
Accumulated depreciation				
Land improvements	( 103,261 )	( 30,335 )	-	( 133,596 )
Buildings	( 257,303 )	( 44,699 )	-	( 302,002 )
Vehicles	( 956,816 )	( 324,939 )	-	( 1,281,755 )
Equipment and furniture	( 730,975 )	( 126,321 )	-	( 857,296 )
Infrastructure	-	( 446 )	-	( 446 )
Subtotal	( 2,048,355 )	( 526,740 )	-0-	( 2,575,095 )
Net Capital Assets Being Depreciated	2,814,281	( 422,076 )	-0-	2,392,205
Total Net Capital Assets	\$ 2,964,213	\$ ( 142,961 )	\$ -0-	\$ 2,821,252

Depreciation expense was charged to the following governmental activities:

General government	\$ 100,562
Public safety	315,417
Public works	97,175
Recreation and cultural	13,586
Total depreciation expense	\$ 526,740

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Business-type activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 229,405	\$ -	\$ -	\$ 229,405
Construction in progress	-	77,315	-	77,315
Subtotal	229,405	77,315	-0-	306,720
Capital Assets Being Depreciated				
Buildings	210,308	-	-	210,308
Machinery and equipment	413,303	-	-	413,303
Vehicles	-	31,040	-	31,040
Sewer system	4,008,554	-	-	4,008,554
Water system	2,432,375	-	-	2,432,375
Subtotal	7,064,540	31,040	-0-	7,095,580
Less Accumulated Depreciation				
Buildings	( 140,865 )	( 4,882 )	-	( 145,747 )
Machinery and equipment	( 239,002 )	( 31,851 )	-	( 270,853 )
Vehicles	-	( 370 )	-	( 370 )
Sewer system	( 820,315 )	( 65,992 )	-	( 886,307 )
Water system	( 805,951 )	( 65,846 )	-	( 871,797 )
Subtotal	( 2,006,133 )	( 168,941 )	-0-	( 2,175,074 )
Net Capital Assets Being Depreciated	5,058,407	( 137,901 )	-0-	4,920,508
Total Net Capital Assets	\$ 5,287,812	\$ ( 60,586 )	\$ -0-	\$ 5,227,226

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Village for the year ended June 30, 2004:

	Restated Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004	Amount Due Within One Year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Road Improvement Bonds	\$ 20,000	\$ -	\$ 10,000	\$ 10,000	\$ 10,000
Transportation Bonds	130,000	-	30,000	100,000	-
Special Assessment Bonds	55,000	-	25,000	30,000	30,000
Livingston County Drain Bond	187,500	-	12,500	175,000	12,500
Installment Note	64,000	-	64,000	-0-	-
Capital Lease	20,667	-	7,077	13,590	7,569
Installment Note Payable	22,102	-	4,828	17,274	5,055
Capital Lease	54,707	-	7,781	46,926	7,481
Compensated Absences	68,669	18,922	468	87,123	21,619
	622,645	18,922	161,654	479,913	94,224

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE G: LONG-TERM DEBT - CONTINUED**

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2004</u>	Amount Due Within <u>One Year</u>
<b>PRIMARY GOVERNMENT - CONTINUED</b>					
Business-type Activities					
Sewer Fund					
Sewer Revenue Bonds	\$ 275,000	\$ -	\$ 30,000	\$ 245,000	\$ 30,000
Road Improvement Bonds	12,800	-	6,400	6,400	6,400
Capital Lease	30,071	-	30,071	-0-	-
Water Fund					
Road Improvement Bonds	7,200	-	3,600	3,600	3,600
Land Contract	<u>76,127</u>	<u>-</u>	<u>11,287</u>	<u>64,840</u>	<u>12,043</u>
	<u>401,198</u>	<u>-0-</u>	<u>81,358</u>	<u>319,840</u>	<u>52,043</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>1,023,843</b>	<b>18,922</b>	<b>243,012</b>	<b>799,753</b>	<b>146,267</b>
<b>COMPONENT UNITS</b>					
Downtown Development Authority					
2002 General Obligation Bonds	950,000	-	45,000	905,000	50,000
Local Development Finance Authority					
2000 Tax Increment Revenue Bonds	155,000	-	75,000	80,000	80,000
Local Development Bonds - 2001	905,000	-	45,000	860,000	45,000
Local Development Bonds - 1998	<u>675,000</u>	<u>-</u>	<u>95,000</u>	<u>580,000</u>	<u>-</u>
	<u>1,735,000</u>	<u>-0-</u>	<u>215,000</u>	<u>1,520,000</u>	<u>125,000</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>2,685,000</u></b>	<b><u>-0-</u></b>	<b><u>260,000</u></b>	<b><u>2,425,000</u></b>	<b><u>175,000</u></b>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 3,708,843</u></b>	<b><u>\$ 18,922</u></b>	<b><u>\$ 503,012</u></b>	<b><u>\$ 3,224,753</u></b>	<b><u>\$ 321,267</u></b>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

**PRIMARY GOVERNMENT**

General Obligation Bonds

1990 Van Riper Road Improvement Bond issue of \$60,800, due in annual installments of \$6,400 plus interest through 2005 with interest at 7.30 percent.	\$ 6,400
1990 Van Riper Road Improvement Bond issue of \$34,200, due in annual installments of \$3,600 plus interest through 2005 with interest at 7.30 percent.	3,600
1990 Van Riper Road Improvement Bond issue of \$95,000, due in annual installments of \$10,000 plus interest through 2005 with interest at 7.30 percent.	10,000
1991 Michigan Transportation Bond issue of \$345,000, due in annual installments of \$25,000 to \$35,000 plus interest through 2006 with interest at 6.80 to 7.00 percent.	100,000
Livingston County Drain #4 Bond issue of \$312,500, due in annual installments of \$12,500 to \$18,500 plus interest through 2020, with interest at 7.70 percent.	<u>175,000</u>
	<u>\$ 295,000</u>

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE G: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Special Assessment Limited Tax Bonds Payable

1990 Van Riper Special Assessment Bond issue of \$395,000, due in annual installments of \$25,000 to \$30,000 plus interest through 2005, with interest at 7.20 to 7.30 percent. \$ 30,000

Water and Sewer Supply System Revenue Bonds

Sanitary Sewer System Revenue Bond issue of \$630,000, due in annual installments of \$25,000 to \$40,000 plus interest through 2010, with interest at 5.00 percent. \$ 245,000

Municipal Purchase Contracts

The following loans are considered installment purchases under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan Department of Treasury approval:

Land contract of \$99,000 with monthly installments of principal and interest of \$1,325 through 2009, with interest at 6.5 percent. \$ 64,840

Installment note of \$25,570 with monthly installments of principal and interest of \$479 through 2007, with interest at 4.60 percent. 17,274

\$ 82,114

Capital Leases

The Village has entered into two (2) lease purchase agreements, under act 99 PA of 1933, as amended, to finance the acquisition of Motor Pool equipment. The liability for the Motor Pool equipment is recorded in the government-wide financial statements. These capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. These leases qualify as capital leases for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rests with the Village.

Commitments under these lease agreements provide for the minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 15,050	\$ 3,187
2006	14,491	1,683
2007	8,837	1,145
2008	9,220	762
2009	9,619	363
2010	<u>3,299</u>	<u>29</u>
	<u>\$ 60,516</u>	<u>\$ 7,169</u>



Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE G: LONG-TERM DEBT - CONTINUED**

COMPONENT UNITS

General Obligation Bonds

1998 Van Riper Road Extension Bond issue of \$990,000, due in annual installments of \$85,000 to \$130,000 plus interest through 2008, with interest from 6.10 to 6.20 percent.	\$ 580,000
2001 Garden Lane Project Bond issue of \$290,000, due in annual installments of \$70,000 to \$80,000 plus interest through 2004, with interest at 5.25 percent.	80,000
2001 Garden Lane Extension Bond issue of \$990,000, due in monthly installments of \$45,000 to \$100,000 plus interest through 2016, with interest from 4.00 to 5.00 percent.	860,000
2002 Development Bond issue of \$990,000, due in monthly installments of \$40,000 to \$90,000 plus interest through 2016, with interest from 4.20 to 5.00 percent.	<u>905,000</u>
	<u>\$ 2,425,000</u>

Accumulated Sick

Individual employees have vested rights upon termination of employment to receive payments for unused sick leave. The dollar amounts of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$92,583 at June 30, 2004. Of this amount, \$5,460 and \$645 are recorded as liabilities within the Enterprise and Internal Service fund types, respectively, in accordance with criteria disclosed in Note A.

Annual Requirements for Bonded Debt and Installment Loans

The annual requirement to pay the debt principal and interest outstanding for the following bonds and loans are as follows:

**Primary Government**

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>		<u>Installment Loans</u>		<u>Special Assessment Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 32,500	\$ 12,639	\$ 30,000	\$ 25,750	\$ 17,098	\$ 4,548	\$ 30,000	\$ 1,858
2006	18,750	11,058	30,000	10,000	18,142	3,504	-	-
2007	18,750	9,782	35,000	8,375	19,251	2,395	-	-
2008	12,500	8,506	35,000	6,625	16,013	1,285	-	-
2009	12,500	7,656	35,000	4,875	11,610	314	-	-
2010-2014	81,250	22,542	80,000	4,000	-	-	-	-
2015-2019	<u>18,750</u>	<u>1,276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 195,000</u>	<u>\$ 73,459</u>	<u>\$ 245,000</u>	<u>\$ 59,625</u>	<u>\$ 82,114</u>	<u>\$ 12,046</u>	<u>\$ 30,000</u>	<u>\$ 1,858</u>

The annual debt service requirements for the 1991 Michigan Transportation Bond are not included above because closing documentation for the bond issue was not available.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE G: LONG-TERM DEBT - CONTINUED**

**Component Unit**

Year Ending June 30,	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 175,000	\$ 81,805
2006	105,000	75,700
2007	105,000	71,390
2008	110,000	66,925
2009	115,000	62,305
2010-2014	775,000	218,431
2015-2016	<u>460,000</u>	<u>33,833</u>
	<u>\$ 1,845,000</u>	<u>\$ 610,389</u>

The annual debt service requirements for the 1998 Van Riper Road Extension Bond are not included above because closing documentation for the bond issue was not available.

**NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the Village's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2004, the Village incurred expenditures in the General Fund and Special Revenue Fund in excess of the amounts appropriated as follows:

	<u>Appropriated</u>	<u>Amounts Expended</u>	<u>Amounts Variance</u>
General Fund			
General government			
Elections	\$ 2,010	\$ 2,083	\$ 73
Finance and administrative	246,029	246,603	574
Village hall and grounds	71,690	71,698	8
Public safety			
Fire department	206,302	218,447	12,145
Public works			
Refuse collection	98,400	103,455	5,055
Recreation and cultural			
Recreation	34,350	37,739	3,389
Capital outlay	19,900	229,758	209,858
Other			
Fringe benefits	140,437	153,733	13,296
Special Revenue Funds			
Local Street			
Public works	176,836	186,626	9,790
Municipal Street Fund			
Transfers out	1,200	159,785	158,585
Drug Law Enforcement Fund			
Public safety	-	2,577	2,577

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE I: RETIREMENT PLAN**

Plan Description

The Village of Fowlerville approved participation in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village of Fowlerville. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the Village Council. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2004, the Village of Fowlerville's annual pension cost was zero for the plan and was equal to the Village of Fowlerville's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2001, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 2,080,366	\$ 2,116,660	\$ 2,238,051
Actuarial accrued liability (AAL) (entry age)	1,645,389	1,744,163	1,951,683
Unfunded (overfunded) AAL	( 434,977 )	( 372,503 )	( 286,368 )
Funded ratio	126 %	121 %	115 %
Covered payroll	526,417	560,289	596,198
UAAL as a percentage of covered payroll	-0- %	-0- %	-0- %

  

	Year Ended June 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ -0-	\$ -0-	\$ -0-
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-0-	-0-	-0-

**NOTE J: RISK MANAGEMENT**

The Village participates in a State pool, the Michigan Municipal League, with other municipalities for property, liability, bonding, and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The pool is responsible to pay all claims that are within insured limits. The City has no responsibility for additional assessments based on the claims as filed against the pool nor do they have any right to dividends.

Village of Fowlerville

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

**NOTE J: RISK MANAGEMENT - CONTINUED**

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

**NOTE K: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2004:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Streets	\$ 193,077
Debt service	<u>35,324</u>
	<u>\$ 228,401</u>

**NOTE L: CONTRACT COMMITMENTS**

The Village has entered into various street project contracts related to infrastructure improvements that were not completed at June 30, 2004. The total contractual commitments outstanding at June 30, 2004 totaled \$329,518. The Village will have sufficient Federal, State, and Village contributions available to cover these commitments.

**NOTE M: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustment was made during the year, which was the result of corrections of accounting errors. This adjustment was reported as a change to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	<u>2004</u>	<u>June 30,</u> <u>2003</u>	<u>Description</u>
ENTERPRISE			
Water			
Bonds payable	\$ -	\$ ( 8,513 )	Correct overstated
Revenues over (under) expenses	-	8,513	bonds payable
Net assets - beginning	8,513	-	

## **REQUIRED SUPPLEMENTARY INFORMATION**

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES

Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 898,744	\$ 898,744	\$ 814,182	\$ (84,562)
Licenses and permits	16,500	18,000	13,705	(4,295)
Intergovernmental				
Federal/State	312,800	312,800	395,254	82,454
Local	-	-	239,710	239,710
Total intergovernmental	312,800	312,800	634,964	322,164
Charges for services	270,872	269,772	289,508	19,736
Fines and forfeits	2,150	1,750	1,919	169
Interest and rents	6,000	6,000	8,911	2,911
Other	96,288	96,288	96,120	(168)
TOTAL REVENUES	1,603,354	1,603,354	1,859,309	255,955
OTHER FINANCING SOURCES				
Local street	11,093	11,093	-	(11,093)
Sewer	7,399	7,399	-	(7,399)
Water	3,993	3,993	-	(3,993)
Sale of capital assets	-	-	141,954	141,954
Sale of cemetery lots	20,000	20,000	21,750	1,750
Perpetual care	6,700	6,700	7,410	710
TOTAL OTHER FINANCING SOURCES	49,185	49,185	171,114	121,929
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,652,539</u>	<u>\$ 1,652,539</u>	<u>\$ 2,030,423</u>	<u>\$ 377,884</u>

Village of Fowlerville

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES

Year Ended June 30, 2004

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
General government				
Legislative	\$ 18,700	\$ 27,300	\$ 23,659	\$ 3,641
Executive	4,550	5,150	3,677	1,473
Elections	2,910	2,010	2,083	(73)
Finance and administrative	182,521	246,029	246,603	(574)
Cemetery operations	74,333	66,933	57,144	9,789
Village hall and grounds	77,140	71,690	71,698	(8)
Other	12,498	32,798	27,357	5,441
Total general government	372,652	451,910	432,221	19,689
Public safety				
Police department	478,017	477,567	457,857	19,710
Fire department	217,702	206,302	218,447	(12,145)
Total public safety	695,719	683,869	676,304	7,565
Public works				
Refuse collection	94,600	98,400	103,455	(5,055)
Sanitary landfill	42,693	39,193	35,601	3,592
Mosquito control	23,800	18,800	18,717	83
Total public works	161,093	156,393	157,773	(1,380)
Recreation and cultural				
Recreation	39,250	34,350	37,739	(3,389)
Community and economic development				
Planning commission	36,162	30,262	28,773	1,489
Capital outlay	53,000	19,900	229,758	(209,858)
Debt service				
Principal	89,100	89,100	76,500	12,600
Interest	25,260	25,260	14,572	10,688
Total debt service	114,360	114,360	91,072	23,288
Other				
Fringe benefits	167,301	140,437	153,733	(13,296)
Contingency	13,002	102	-	102
Total other	180,303	140,539	153,733	(13,194)
TOTAL EXPENDITURES	<u>\$ 1,652,539</u>	<u>\$ 1,631,583</u>	<u>\$ 1,807,373</u>	<u>\$ (175,790)</u>

## **OTHER SUPPLEMENTARY INFORMATION**



Village of Fowlerville  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
June 30, 2004

	Special		
	Major Street	Local Street	Municipal Street
ASSETS			
Cash and cash equivalents	\$ 37,631	\$ 3,308	\$ 178,722
Special assessment receivable	-	-	-
Due from other governmental units			
Federal/State	26,769	7,539	-
Due from other funds	67,472	59,880	-
TOTAL ASSETS	<u>\$ 131,872</u>	<u>\$ 70,727</u>	<u>\$ 178,722</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 2,633	\$ -	\$ 2,499
Accrued liabilities	359	118	-
Due to other funds	6,412	-	6,368
Deferred revenue	-	-	-
TOTAL LIABILITIES	9,404	118	8,867
Fund balances			
Reserved for:			
Cemetery maintenance	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved			
Undesignated, reported in:			
Special revenue funds	122,468	70,609	169,855
TOTAL FUND BALANCES	<u>122,468</u>	<u>70,609</u>	<u>169,855</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 131,872</u>	<u>\$ 70,727</u>	<u>\$ 178,722</u>

Revenue	Debt Service		Capital Projects	Permanent	Total Nonmajor Governmental Funds
Drug Law Enforcement	1990 Bond Debt Retirement	1991 Transportation Bond Debt	Van Riper Road Improvement	Greenwood Cemetery	
\$ 2,771	\$ 34,582	\$ 20	\$ 27,850	\$ 13,219	\$ 298,103
-	1,830	-	-	-	1,830
-	-	-	-	-	34,308
-	686	3,500	-	279	131,817
<u>\$ 2,771</u>	<u>\$ 37,098</u>	<u>\$ 3,520</u>	<u>\$ 27,850</u>	<u>\$ 13,498</u>	<u>\$ 466,058</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,132
-	-	-	-	-	477
-	-	-	-	-	12,780
-	1,830	-	-	-	1,830
-0-	1,830	-0-	-0-	-0-	20,219
-	-	-	-	13,498	13,498
-	35,268	3,520	-	-	38,788
-	-	-	27,850	-	27,850
<u>2,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,703</u>
<u>2,771</u>	<u>35,268</u>	<u>3,520</u>	<u>27,850</u>	<u>13,498</u>	<u>445,839</u>
<u>\$ 2,771</u>	<u>\$ 37,098</u>	<u>\$ 3,520</u>	<u>\$ 27,850</u>	<u>\$ 13,498</u>	<u>\$ 466,058</u>

Village of Fowlerville

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2004

	Special		
	Major Street	Local Street	Municipal Street
REVENUES			
Taxes	\$ -	\$ -	\$ 191,858
Intergovernmental			
Federal/State	157,682	44,359	-
Local	-	-	-
Charges for services	-	-	1,836
Fines and forfeits	-	-	-
Interest and rents	1,346	14	1,527
Other	-	-	-
TOTAL REVENUES	159,028	44,373	195,221
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	55,728	34,404	32,192
Health and welfare	-	-	-
Capital outlay	73,979	103,872	8,929
Debt service	-	-	-
TOTAL EXPENDITURES	129,707	138,276	41,121
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	29,321	(93,903)	154,100
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	162,645	-
Operating transfers out	(38,560)	(11,530)	(162,645)
TOTAL OTHER FINANCING SOURCES (USES)	(38,560)	151,115	(162,645)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(9,239)	57,212	(8,545)
Fund balances, beginning of year	131,707	13,397	178,400
Fund balances, end of year	\$ 122,468	\$ 70,609	\$ 169,855

Revenue	Debt Service		Capital Projects	Permanent	Total Nonmajor Governmental Funds
Drug Law Enforcement	1990 Bond Debt Retirement	1991 Transportation Bond Debt	Van Riper Road Improvement	Greenwood Cemetery	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 191,858
-	-	-	-	-	202,041
-	-	-	-	-	-
-	-	-	-	8,930	10,766
1,708	-	-	-	-	1,708
18	374	-	178	29	3,486
-	2,600	-	-	-	2,600
1,726	2,974	-0-	178	8,959	412,459
-	-	-	-	8,710	8,710
2,577	-	-	-	-	2,577
-	-	-	-	-	122,324
-	-	-	-	-	-
-	-	-	-	-	186,780
-	40,833	35,060	-	-	75,893
2,577	40,833	35,060	-0-	8,710	396,284
(851)	(37,859)	(35,060)	178	249	16,175
-	11,530	38,560	-	-	212,735
-	-	-	-	-	(212,735)
-0-	11,530	38,560	-0-	-0-	-0-
(851)	(26,329)	3,500	178	249	16,175
3,622	61,597	20	27,672	13,249	429,664
\$ 2,771	\$ 35,268	\$ 3,520	\$ 27,850	\$ 13,498	\$ 445,839

Village of Fowlerville

Component Unit Funds

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 173,160
Loans receivable	41,167
Due from primary government	<u>95,816</u>
TOTAL ASSETS	<u>\$ 310,143</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 3,004
FUND BALANCE	
Unreserved - undesignated	<u>307,139</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 310,143</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE COMBINING STATEMENT OF NET ASSETS - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2004

**Total fund balance - governmental fund** \$ 307,139

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and loans payable	905,000	
Accrued interest payable	<u>6,920</u>	
		<u>(911,920)</u>

**Net assets of governmental activities** \$ (604,781)

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

	<u>Special Revenue</u>
REVENUES	
Taxes	\$ 207,953
Interest	<u>4,287</u>
TOTAL REVENUES	212,240
EXPENDITURES	
Community and economic development	
Contracted services	28,031
Printing and publishing	1,172
Utilities	9,545
Miscellaneous	278
Capital outlay	447,950
Debt service	<u>88,122</u>
TOTAL EXPENDITURES	<u>575,098</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(362,858)
Fund balance, beginning of year	<u>669,997</u>
Fund balance, end of year	<u><u>\$ 307,139</u></u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE COMBINING STATEMENT OF ACTIVITIES - DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2004

<b>Net change in fund balance - governmental fund</b>	<b>\$ (362,858)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond principal and capital lease retirement	45,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>315</u>
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<b>Change in net assets of governmental activities</b>	<b><u><u>\$ (317,543)</u></u></b>
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Village of Fowlerville

Component Unit Funds

BALANCE SHEET - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash and cash equivalents	<u>\$    196,924</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	\$          -
FUND BALANCE	
Unreserved - undesignated	<u>196,924</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$    196,924</u>

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE COMBINING STATEMENT OF NET ASSETS - LOCAL DEVELOPMENT FINANCE AUTHORITY

June 30, 2004

**Total fund balance - governmental fund** \$ 196,924

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and loans payable	1,520,000	
Accrued interest payable	<u>10,859</u>	
		<u>(1,530,859)</u>

**Net assets of governmental activities** \$ (1,333,935)

Village of Fowlerville

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2004

	Special Revenue
REVENUES	
Taxes	\$ 552,041
Interest	2,002
TOTAL REVENUES	554,043
EXPENDITURES	
Community and economic development	
Contracted Services	6,444
Printing and publishing	6,576
Capital outlay	217,975
Debt service	301,299
TOTAL EXPENDITURES	532,294
EXCESS OF REVENUES OVER EXPENDITURES	21,749
Fund balance, beginning of year	175,175
Fund balance, end of year	\$ 196,924

Village of Fowlerville

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO  
THE COMBINING STATEMENT OF ACTIVITIES - LOCAL DEVELOPMENT FINANCE AUTHORITY

Year Ended June 30, 2004

**Net change in fund balance - governmental fund** \$ 21,749

Amounts reported for governmental activities in the statement of activities are different because:

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond principal and capital lease retirement	215,000
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	<u>1,434</u>
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<b>Change in net assets of governmental activities</b>	<u><u>\$ 238,183</u></u>
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Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
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and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Honorable President and  
Members of the Village Council  
Village of Fowlerville  
Fowlerville, Michigan

As you know, we have recently completed our audit of the records of the Village of Fowlerville, Michigan as of and for the year ended June 30, 2004. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The Village should ensure all budgets are approved.

During our review of the board minutes, we noted that DDA and LDFA budgets for the year 2003-2004 were not approved until the September 22, 2003 board meeting.

We suggest the Village ensure all budgets are approved prior to any expenditures being incurred or prior to the start of a new year.

2. The Village should ensure all timesheets are signed by the employee and approved by the department head.

During our testing of the payroll process, we noted five (5) instances where timesheets were not signed by the employee or approved by the department head.

We suggest the Village ensure that all timesheets are signed by the employee and properly approved by the department head to strengthen and improve internal controls over the payroll process.

3. The Village should ensure park and pavilion rental deposits are deposited properly.

During a discussion with management, we noted that deposits for park or pavilion rentals are being held at the Village Hall and the checks are returned to the renters after the rental takes place.

We suggest that the Village deposit rental deposits in the Village bank account and return the deposits through the normal accounts payable disbursements process.

4. The Village should adopt policies and procedures for investments, electronic fund transfers, and code of conduct.

During discussions with management, we noted that the Village does not have various policies and procedures in writing, such as, an investment policy, electronic fund transfer policy, and code of conduct policy (including conflict of interest).

We suggest the Village review the current policies, write and adopt additional policies and procedures as necessary, and monitor the policies to assure compliance.

5. The Village should ensure that all support is retained for all disbursements.

During our testing of a sample of accounts payable disbursements, we noted six (6) instances where support for the disbursement could not be located.

We suggest the Village ensure that supporting documentation is retained for all disbursements.

6. Documentation supporting the issuance of bonded debt and the related amortization schedules should be retained.

During the course of our audit, we noted that documentation related to two (2) outstanding bond issues could not be located (i.e., bond resolutions, closing documents, amortization schedules, etc.). Maintaining complete and accurate documentation of the Village's financial activities is a key function of the Village's management.

We suggest the Village locate these items and place them on file appropriately.

7. The Village should reserve funds for there intended use.

The Village collects chartered garbage, voted mosquito property taxes and a compost fee. However, the Village does not calculate the amounts unspent at the end of each year.

We suggest the Village reserve a portion of its fund balance for any amounts that were not spent at year end. Also, records should be maintained for each of those activities detailing revenue collected, expenditures and allocations of costs. These funds should be restricted and used for the intended purposes.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated October 29, 2004.

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Fowlerville and is not intended to be, and should not be, used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 29, 2004

#### Principals

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## REPORT ON INTERNAL CONTROL

To the Honorable President  
and Members of the Village Council  
Village of Fowlerville  
Fowlerville, Michigan

We have audited the financial statements of the Village of Fowlerville as of and for the year ended June 30, 2004, and have issued our report thereon dated October 29, 2004.

In planning and performing our audit of the financial statements of the Village of Fowlerville for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

The management of the Village of Fowlerville is responsible for establishing and maintaining an internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of an internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

However, we noted certain items involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

#### UTILITY BILLINGS

During the course of our audit, we noted that the Village did not reconcile utility billing registers with the general ledger receivable and revenue balances. Although collections and bank deposits are manually logged, a formal reconciliation process has not been implemented where billing amounts less collections received are compared with the accounts receivable balances in the general ledger.

We recommend the Village prepare periodic reconciliations of the utility billing system to ensure the general ledger and subsidiary systems are correct. We recommend such reconciliations be prepared at least on a quarterly basis.

## BUDGETS

During the course of our audit, we noted instances where expenditures had been incurred in excess of amounts appropriated. These unfavorable variances were noted in the General and Special Revenue Funds. In addition, we noted that budgets that were approved by the Village Council had not been entered into the general ledger system. Without the budget information, the Village's general ledger accounting system cannot generate monthly budget and actual financial statements and management is unable to monitor compliance with Public Act 621 of 1978.

Michigan Public Act 621 of 1978, as amended, provides that the Board shall adopt formal budgets for the General and all Special Revenue funds and shall not incur expenditures in excess of the amounts appropriated. The budget must include all anticipated expenditures and the related revenue and fund equity to fund these expenditures.

We recommend that the Village adopt and amend its budgets through Council resolution and monitor budgeted amounts against actual expenditures.

## SEGREGATION OF DUTIES

During our consideration and assessment of fraud risk, we noted that the Village may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, etc.).

While this is a common occurrence in small organizations due to the limited number of employees, the Village Council should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We recommend that the Village review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we recommend the Village Council provide a greater review and supervision of employee functions and procedures.

We noted other matters involving the internal control over financial reporting that we have reported to the management of the Village of Fowlerville in a separate letter dated October 29, 2004.

A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. The reportable conditions referred to above are not believed to be material weaknesses.

This report is intended solely for the information and use of management and the Village Council and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

October 29, 2004